

Message Text

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FOLLOWING REPEATS PARIS 04615 ACTION DEPT BONN BRUSSELS LONDON
MADRID THE AGUE NEW DELHI SEOUL BANGKOK EC BRUSSELS OECD PARIS
FEB 21ST

QUOTE

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PASS EXIMBANK FOR PLANTS

E.O. 11652: N/A
TAGS: EFIN, FR
SUBJECT: A-300B (AIRBUS) SALES

REF: STATE 27146, PARIS 4061

PANAFIEU AND REMOND IN TRADE POLICY DIVISION (DREE) OF
ECONOMICS AND FINANCE MINISTRY HAVE PROVIDED US FOLLOW-
ING INFORMATION ON FINANCING OF AIRBUS SALES.

1. THERE ARE TWO GENERAL TECHNIQUES FOR FINANCING OF
AIRBUS SALES. FIRST IS STRAIGHT OFFICIALLY SUPPORTED
EXPORT CREDIT FOR TEN YEARS AT "ALL-INCLUSIVE" INTEREST
RATE OF 7.50 PERCENT, WITH DOWN PAYMENT OF L5 PERCENT,
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OR AT LEAST 10 PERCENT. SOURCES OF FINANCING AND

GOVERNMENT GUARANTEES ARE DESCRIBED IN PARIS A-392, JULY 17, 1974. SECOND TECHNIQUE IS LEASING FOR 12 YEARS. IN THIS CASE, OF COURSE, THERE IS FLAT MONTHLY RENTAL CHARGE OVER LIFE OF CONTRACT, CALCULATED SO THAT THERE IS NO RESIDUAL VALUE AFTER EXPIRATION OF LEASING ARRANGEMENT. EFFECTIVE INTEREST RATE IS ABOUT THE SAME AS UNDER EXPORT CREDIT ALTERNATIVE. LIKEWISE COFACE (FRENCH OFFICIAL EXPORT CREDIT INSURANCE AGENCY) PROVIDES COVER AS IN EXPORT CREDIT ALTERNATIVE. UNDER EITHER ALTERNATIVE, TERMS OF EACH SPECIFIC TRANSACTION MUST BE AGREED BETWEEN FRENCH AND GERMANS, WHO ARE MAJOR PARTICIPANTS IN AIRBUS CONSORTIUM.

2. AIRBUS SALES TO AIR FRANCE AND LUFTHANSA WERE LEASING TRANSACTIONS.

3. CONTRACT WAS SIGNED WITH INDIA ON DECEMBER 31, 1974 FOR SALE OF THREE AIRCRAFT UNDER TEN-YEAR CREDIT, REPAYABLE IN 20 SEMI-ANNUAL INSTALLMENTS, WITH 10 PERCENT DOWN PAYMENT. TAKING ACCOUNT OF CREDIT INSURANCE PREMIUMS, TOTAL EFFECTIVE COST OF CREDIT IS 8.50 OR 8.55 PERCENT PER ANNUM. (PANAFIEU ADDED THAT SUBSEQUENT TO SIGNATURE OF AIRBUS CONTRACT, LOCKHEED TOLD AIR INDIA THEY COULD IMPROVE ON TERMS OFFERED FOR AIRBUS AND SPECIFICALLY GET COST OF CREDIT BELOW 8.5 PERCENT. FRENCH ARE QUITE CONCERNED ABOUT THIS DEVELOPMENT, AND ASKED IF EXPORT-IMPORT BANK COULD PROVIDE INFO ON LOCKHEED OFFER.)

4. DEAL HAS ABOUT BEEN COMPLETED FOR LEASING OF SIX AIRCRAFT TO SOUTH KOREA. THIS ENVISAGES 144 MONTHLY RENTAL PAYMENTS, WITH KOREANS MAKING ADVANCE RENTAL PAYMENT EQUIVALENT TO ABOUT A 5 PERCENT DOWN PAYMENT.

5. AIR SIAM HAS ENTERED INTO SHORT-TERM (SIX MONTHS) LEASING ARRANGEMENT FOR ONE AIRCRAFT. THEY WOULD LIKE TO CONVERT THIS INTO LONG-TERM CONTRACT, BUT GIVEN POOR CREDIT RATING OF THAILAND, FRENCH AUTHORITIES ARE TAKING VERY PRUDENT ATTITUDE TOWARDS THIS DEAL.

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6. FINALLY, AS REGARDS FOLLOW-ON SPARE PARTS (BOTH FOR AIRFRAME AND FOR 37.5 PERCENT FRANCO-GERMAN SHARE OF POWERPLANT) SALES ARE MADE UNDER EXPORT CREDITS OF 7 YEARS WITH INTEREST RATE OF 10 PERCENT.
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